

Message Text

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INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 XMB-02 LAB-04 SIL-01
PA-01 /116 W

-----035124 250605Z /21

R 242127Z FEB 78
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 8285
INFO AMEMBASSY VIENNA
AMEMBASSY HELSINKI
USDOE WASHDC
USDOE GERMANTOWN MD

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DOE FOR BILLY HILL
VIENNA ALSO FOR USIAEA

E.O.11652:GDS
TAGS:EEWT, AU, UR
SUBJECT:ECONOMIC ASPECTS OF KREISKY VISIT

REF: (A) MOSCOW 2020, (B) VIENNA 01104

SUMMARY. DURING KREISKY VISIT, AUSTRIANS AND SOVIETS AGREED TO INVESTIGATE POSSIBILITIES FOR INCREASING AUSTRIAN EXPORTS TO USSR. MAJOR AUSTRIAN HANDICAP IS LACK OF PRICE COMPETITIVENESS. IN PROTOCOL SIGNED DURING VISIT, SOVIETS PROMISED TO GIVE CAREFUL CONSIDERATION TO LIST OF AUSTRIAN PROPOSALS. ONGOING NEGOTIATIONS WHERE AUSTRIAN COMMERCIAL COUNSELOR FEELS AUSTRIAN FIRMS HAVE GOOD CHANCE TO WIN CONTRACT ARE PASSENGER BOATS FOR SOVIET RIVER FLEET, PLANT FOR PRODUCTION OF SEAMLESS TUBES FOR CHEMICAL INDUSTRY, CARDBOARD MILL AND PULP AND PAPER MILL. POSSIBLE AREAS FOR
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NEW COOPERATION ARE DIESEL ENGINES, CONSTRUCTION OF ATOMIC POWER STATIONS AND MACHINE TOOLS. AUSTRIANS APPEAR TO HOPE THAT KREISKY VISIT HAS GIVEN IMPULSE TO FAVORABLE SOVIET CONSIDERATION OF AUSTRIAN FIRMS WHERE OTHER COMPETITIVE FACTORS ARE NEARLY EQUAL, WITHOUT REQUIRING COMPLETE EQUALITY. THIS WOULD HELP THEM SOMEWHAT TO OVERCOME HANDICAP OF SELLING AT HIGHER PRICES THAN MAJOR

COMPETITORS. END SUMMARY.

1. ON FEBRUARY 22 EMBASSY OFFICER CALLED AUSTRIAN COMMERCIAL COUNSELOR DR. GEORG CANISIUS TO DISCUSS ECONOMIC ASPECTS OF AUSTRIAN CHANCELLOR KREISKY'S FEBRUARY 6-8 VISIT TO MOSCOW. AS REPORTED REF A, THE MAJOR AUSTRIAN CONCERN WAS TO FIND WAY IN WHICH TO IMPROVE THE AUSTRIAN BALANCE-OF-TRADE WITH THE USSR, WHICH IS PRESENTLY IN

SUBSTANTIAL DEFICIT. THE MAJOR AND MOST CONCRETE DISCUSSIONS ON THIS SUBJECT OCCURRED IN THE FIRST MORNING MEETING WITH KOSYGIN. THE AUSTRIANS WERE TOLD THAT THEY HAD LOST CONTRACTS WORTH 100 MILLION RUBLES IN 1977 BECAUSE THEY WERE NOT PRICE COMPETITIVE.

2. CANISIUS ADDED THAT HE THOUGHT THIS ESTIMATE WAS ACCURATE. HE ACKNOWLEDGED THAT FOR THE MOST PART AUSTRIAN FIRMS CANNOT MEET THE LOW PRICES OFFERED TO THE SOVIETS BY THEIR MAJOR COMPETITORS, ALTHOUGH AUSTRIAN FINANCING IS COMPETITIVE. AS EXAMPLE HE SAID THAT ONE AUSTRIAN FIRM HAD LOST A CONTRACT ON A NEWSPRINT MILL TO THE FINNS BECAUSE, HAVING ALREADY DELIVERED SIILAR MACHINERY TO THE SOVIET UNION, AUSTRIAN FIRM HAD RESISTED SOVIET EFFORTS TO BARGAIN DOWN PRICE.

3. DURING KREISKY VISIT, AUSTRIANS AND SOVIETS HAD SIGNED
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A PROTOCOL WHEREBY SOVIETS PROMISED TO LOOK VERY CAREFULLY AT LONG LIST OF MACHINERY AND EQUIPMENT PROPOSALS BY AUSTRIAN FIRMS. MOST OF THESE SALES HAVE ALREADY BEEN SUBJECT OF NEGOTIATIONS AND CANISIUS THOUGHT THAT MOST OF THEM WERE READY FOR SIGNING. INCLUDED IN THE LIST WERE PASSENGER BOATS FOR THE SOVIET RIVER FLEET, A PLANT FOR THE PRODUCTION OF SEAMLESS TUBES FOR THE CHEMICAL INDUSTRY (A VOEST-ALBINA OFFER), A CARDBOARD MILL AND A PULP AND PAPER MILL (VOIGHT).

4. DURING VISIT SOVIETS AND AUSTRIANS ALSO DISCUSSED A NUMBER OF SOVIET PROJECTS IN WHICH SOVIETS CONSIDERED AUSTRIAN FIRMS MIGHT BE INTERESTED. CANISIUS GAVE FOLLOWING RUNDOWN OF MAJOR PROJECTS ON WHICH THERE WILL BE FURTHER DISCUSSION. ALTHOUGH THE SOVIETS HAD PROPOSED COOPERATION IN THE PRODUCTION OF HEAVY OFF-HIGHWAY HAULERS (150-200 TONS), AUSTRIANS HAD HAD TO TURN THIS DOWN SINCE THE SIZE OF VEHICLES DESIRED BY THE SOVIETS WENT WELL BEYOND AUSTRIAN CAPABILITIES. BUT THERE WAS SOME POSSIBILITY FOR COOPERATION IN DEVELOPING MORE POWERFUL DIESEL ENGINES FOR KAMA TRUCKS. (CANISIUS MENTIONED AN INSTITUTE IN GRAZ HEADED BY A PROFESSOR LIST WHICH SPECIALIZED IN THIS

FIELD.)

5. THERE WAS ALSO DISCUSSION OF AUSTRIAN COOPERATION IN THE CONSTRUCTION OF ATOMIC POWER STATIONS IN THE USSR. ACCORDING TO CANISIUS, THE SOVIETS FEEL THAT DESPITE THEIR OWN INCREASED CAPACITY IN THIS AREA, SOVIET DEMAND FOR NEW ATOMIC POWER STATIONS IN COMING YEARS WAS SO GREAT AS TO REQUIRE OUTSIDE HELP. (COMMENT: THIS IS AREA IN WHICH SOVIETS ARE ALSO INCREASINGLY DRAWING EAST EUROPEAN

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"SOCIALIST" COUNTRIES INTO COOPERATION. END COMMENT) THE AUSTRIANS COOPERATE WITH THE WEST GERMAN FIRM KRAFTWERK-UNION (KWU) AND HENCE HAVE SOME CAPABILITIES IN THIS AREA.

6. THERE IS, ACCORDING TO CANISIUS, MUTUAL SOVIET-AUSTRIAN INTEREST IN COOPERATING IN THE FIELD OF MACHINE TOOLS. SUCH COOPERATION WOULD REPORTEDLY INVOLVE THE AUSTRIAN FIRM HEID. NUMERICAL CONTROL ELEMENTS FROM SIEMENS AUSTRIA WOULD BE USED TO IMPROVE THE PERFORMANCE OF SOVIET MACHINE TOOLS INTENDED FOR EXPORT.

7. IT WAS CANISIUS' FEELING THAT KREISKY'S VISIT HAD LED TO GREATER GOOD WILL TOWARD THE AUSTRIANS ON THE PART OF THE SOVIETS, AND THAT IMPULSE HAD BEEN GIVEN TO THE ATTEMPT TO FIND A SOLUTION TO THE DETERIORATION OF THE AUSTRIAN BALANCE IN ITS TRADE WITH THE USSR. HE ACKNOWLEDGED THAT THE SOVIETS HAD NOT COMMITTED THEMSELVES

SPECIFICALLY TO INCREASE IMPORTS FROM AUSTRIA AND ADMITTED THAT HE SAW NO POSSIBILITY OF ACTUALLY BALANCING TRADE. BUT HE DID HOPE THAT THERE WOULD BE A LESSENING OF THE IMBALANCE. WHETHER THE LATTER OCCURS WILL DEPEND TO A CONFIDENTIAL

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GREAT EXTENT ON ANY CONCRETE RESULTS COMING OUT OF FORTH-COMING VISIT OF DELEGATION OF AUSTRIAN FIRMS ORGANIZED BY AUSTRIAN CHAMBER OF COMMERCE AND HEADED BY ZALLINGER. CANISIUS INFORMED EMBOFF THAT THIS VISIT IS NOW PLANNED FOR THE END OF MARCH AND WILL INCLUDE ONLY FIRMS ALREADY FAMILIAR WITH THE SOVIET MARKET.

8. COMMENT: THE AUSTRIANS CLEARLY BELIEVE THAT THE KREISKY VISIT AND THE SOVIET PROMISE TO GIVE FAVORABLE CONSIDERATION TO COOPERATION WITH AUSTRIAN FIRMS WILL PROVIDE NEEDED POLITICAL LEVERAGE TO HELP AUSTRIAN FIRMS TO OVERCOME SOME OF THE HANDICAP OF HIGHER PRICES. WHILE CANISIUS ACKNOWLEDGED THAT PRICING CONSIDERATIONS WILL REMAIN VERY IMPORTANT IN SOVIET DECISIONS ON CONTRACT AWARDS, HE (AND PRESUMABLY OTHER AUSTRIANS) APPEAR TO BELIEVE THAT POLITICS ALSO CAN PLAY AN IMPORTA IMPORTANT PART IN SUCH DECISIONS. CANISIUS CLEARLY IMPLIED THAT AUSTRIAN FIRM HAD LOST CONTRACT FOR NEWSPRINT MILL BECAUSE OF POLITICAL CONSIDERATIONS BROUGHT TO BEAR BY THE FINNS. NEVERTHELESS, IN OUR OPINION, AUSTRIAN FIRMS WILL OBTAIN ONLY CONTRACTS IN WHICH OTHER COMPETITIVE FACTORS ARE NEARLY EQUAL. MATLOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, REPORTS, TRADE VISITS, MINISTERIAL VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MOSCOW02848
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780087-0579
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780217/aaaaanwc.tel
Line Count: 201
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a0c938d0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 MOSCOW 2020, 78 VIENNA 1104
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3488048
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC ASPECTS OF KREISKY VISIT
TAGS: EEWT, AU, UR, (KREISKY, BRUNO)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a0c938d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014